

Monthly Markets Update

30 April 2025



- Past peak volatility (for now)
- Confidence down
- Dollar under pressure



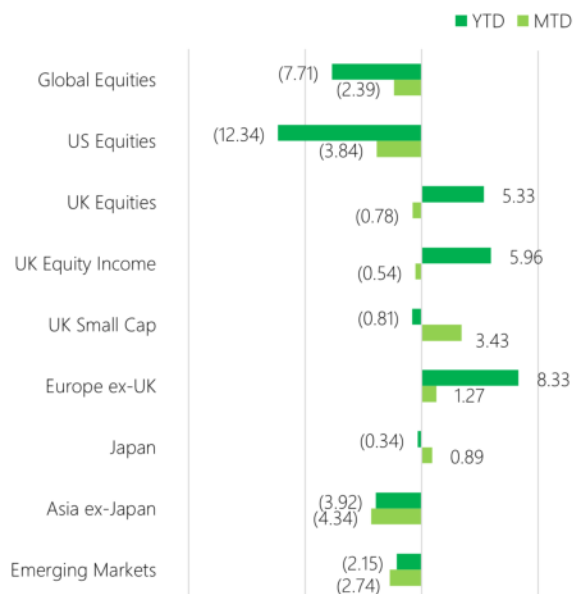
Key points

1. Markets moved past “peak volatility” when the White House announced a 90 day pause on additional tariffs, fearing a “Truss moment” in US bonds.
2. The flip flop of tariff policy and global disruption to trade raises uncertainty for businesses and the economy.
3. Slowing trade and selling of US assets put the dollar under pressure.

Equities

Global Equities closed the month -2.39% MTD. US equities fell -3.84% MTD, UK equities were down -0.78% MTD, and European equities were up 1.27% MTD, all in GBP terms.

Equities performance (GBP) as at 30-Apr-25

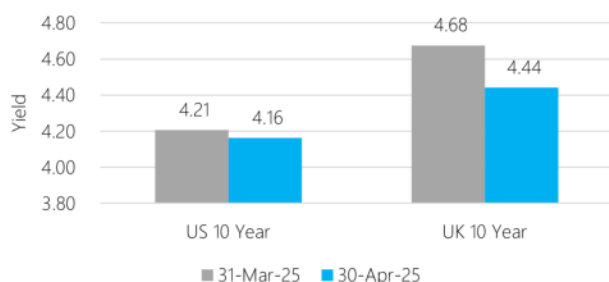


*Elston Indices

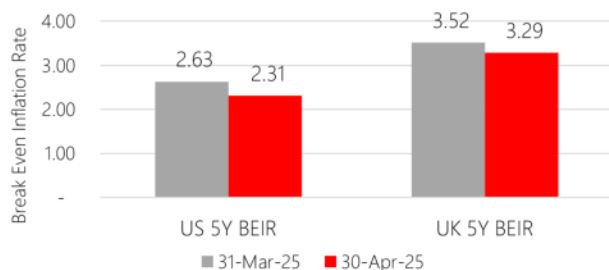
Bonds

UK 10-year Gilt yields decreased from 4.68% to 4.44%. US 10-year Treasury yields decreased from 4.21% to 4.16%. 5Y UK BEIR decreased from 3.52% to 3.29%. Within bonds, UK Gilts and Corporates were top performers, returning 1.70% and 1.44% MTD respectively.

US & UK 10Y Govt Bond Yields

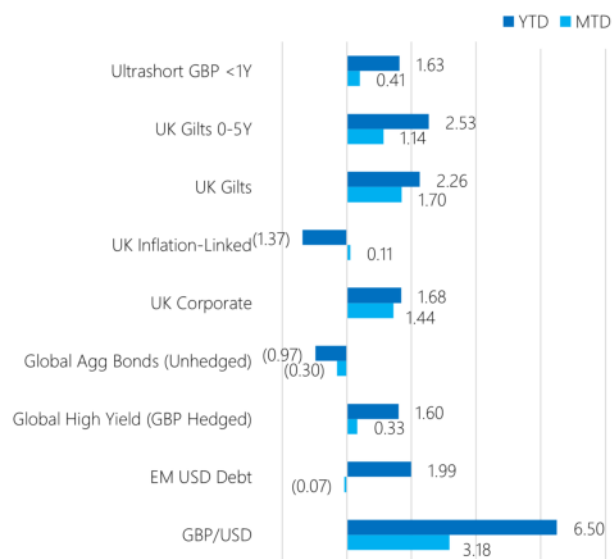


US & UK 5Y Breakeven Inflation Rates



Source: Elston research, Bloomberg data

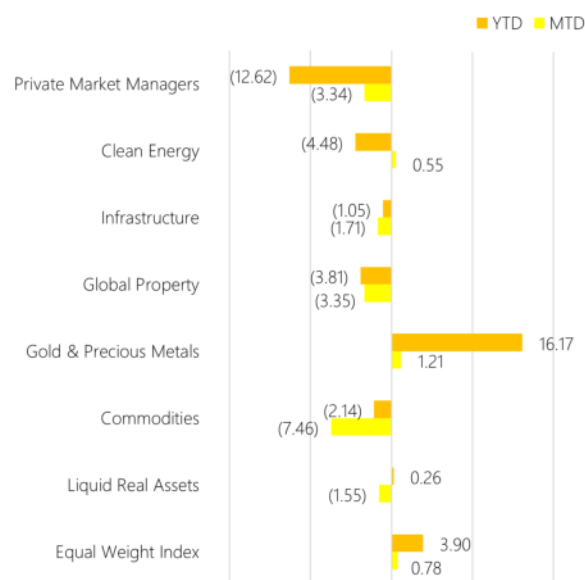
Bonds performance (GBP) as at 30-Apr-25



Alternatives

Alternative Assets: Gold and precious metals rose +1.21% MTD. Commodities were down -7.46%. Private Market Managers declined -3.34%, and global property securities dropped -3.35%. **Alternative Strategies:** an Equal Weight 4-asset index strategy was up 0.78% for the month.

Alternatives performance (GBP) as at 30-Apr-25



*Elston Indices

Currency

Sterling strengthened against the Dollar (+3.18% MTD). £1 buys \$1.3323.



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Month in review

We summarise key drivers and data points in the last month for markets, the economy and geopolitics.

Markets

EQUITIES

Global Equities

April 2025 saw equity market volatility reach levels not seen since the Covid pandemic, with Trump's "Liberation Day" tariffs being much larger in scope and size than investors had anticipated. Fears of the brewing trade war led to a sell-off in risk assets around the world in early April, though global equities have since largely recovered after a 90 day pause on tariffs and increased prospects on the Fed cutting rates.

US Equities

The S&P 500 closed the month at 5,569.1, down -4.03% MTD in GBP terms. Concerns around the US-led trade war sparking a recession in the world's largest economy caused a drop of -10.81% in the S&P 500 over just 2 days, followed by the biggest bounce since 2008 after Trump's U-turn. Whilst the US economic and earnings growth outlook remains intact, the risk to that outlook has increased.

UK Equities

The FTSE 100 closed at 8,494.9, down -1.02% MTD. UK equities were dragged down by fears of a global economic slowdown. With the dollar weakening, UK large caps were hit the hardest due to their majority dollar based earnings.

BONDS

UK Bonds

The Bank of England policy rate remained at 4.50% ahead of the next meeting in May. UK 10-year gilt yields ranged between 4.78% and 4.43%, closing at 4.44%.

5-year UK Break-Even Inflation Rates (BEIRs, a market-derived measure of expected inflation) ranged between 3.52% to 3.19%, closing at 3.29%.

Global Bonds

The Global Aggregate Bond Index (unhedged) declined -0.30% MTD on currency alone as 10-year US Treasury yields ended the month lower than March.

ALTERNATIVES

The Gold price surged to a further high of \$3,424 on 21 April, driven by a flight to safe haven assets over Trump's trade war and concerns that the President would try to oust Federal Reserve Chair Jerome Powell, undermining the political independence of the Central Bank. GBP terms, gold & precious metals were up 1.21%.

CURRENCIES

Sterling strengthened to \$1.3323. The US dollar weakened against a trade-weighted basket of currencies owing to trade uncertainties and slowdown concerns.

Economy

Growth

The US economy contracted by -0.3%yy in the first quarter. The negative reading was largely caused by companies rushing to import goods into the US ahead of tariffs, with the US trade deficit for goods hitting a record high in March.

The UK economy grew +1.4%yy in February, the highest reading in 11 months. The figure is largely attributed to manufacturers building inventory in anticipation of tariffs.

Inflation

US inflation moderated to +2.4%yy in March (from +2.5% estimate, and +2.8% last month). The Fed remains cautious on further rate cuts given tariff uncertainty and knock-on impact on inflation.

UK inflation moderated to +2.6%yy in March (from +2.7% estimate, and +2.8% last month). The BoE is caught between slowing growth and sticky inflation which could delay the pace and extent of further rate cuts.

Rates

The US Fed policy rate remains unchanged at 4.50%, with expected slower growth and higher inflation amidst uncertainty around tariff impacts.

The BoE rate remains at 4.50%, with the market expecting a rate cut at the next meeting in early May and a further 2-3 cuts throughout 2025.

Geopolitics

US: President Trump launched "reciprocal tariffs" on all countries, with the rate on China reaching 145%. The 2 nations, whose trade relations impact the rest of the world, are yet to start negotiating a trade deal, though China has signalled willingness to hold talks if US officials show greater respect and consistency. Beijing also wants Washington to address concerns over policies seen as efforts to hinder China's modernisation, such as restrictions on chip exports. The future of the global economy hinges largely on whether the US and China can come to an agreement that doesn't require a complete overhaul of global supply chains.

UK: The UK continued its leadership in the "Coalition of the Willing," facilitating high-level meetings aimed at supporting Ukraine amidst the ongoing conflict. Discussions about deploying troops were deemed too risky, but the UK is considering sending military trainers to the nation to strengthen defence capabilities.

EU: The EU has suspended 25% retaliatory tariffs against the US for 90 days in the hope that they can come to an agreement with President Trump. The Eurozone economy grew 1.2%yy in the first quarter, though experts warn a mild recession this year cannot be ruled out in light of the recent tariffs.

Russia/Ukraine: After weeks of difficult negotiations, Ukraine has signed a mineral rights deal with the US. The agreement involves a 50/50 partnership between the two nations to invest in the extraction and processing of critical minerals, oil and gas in Ukraine, with all profits from the first decade going to Ukraine. The deal was viewed as a prerequisite to further US support for Ukraine in their ongoing war with Russia, which took the lives of 12 civilians in Ukraine's capital this month following a Russian airstrike. Putin has announced a 3 day ceasefire for early May, but negotiations for longer standing peace remain futile as both parties continue to remain stubborn on key issues such as Russia's annexation of Crimea.



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Bottom Line

The US continues to set the direction for global equity markets, characterized by extreme volatility due to erratic trade policy announcements. "America First" policy means Trump's efforts to reset global trade are creating material risk to the economic outlook. As in 2018, it now depends how long it takes for trade deals to materialise and greater certainty to return. Corporates remain hesitant to make large capital expenditure commitments until trade deals are announced. Short-term macroeconomic data may appear distorted due to tariffs, and overall confidence in any outlook shortens when uncertainty is higher.

The US Federal Reserve remains in a wait-and-see mode, slowly recognising downside risks and leaning toward a pre-emptive interest rate cut. This has been part of Trump's battle with Fed Chair Powell whom he accuses of being behind the curve.

Markets are also now anticipating tax cuts promised by the Republican administration and banking deregulation, which could act as tailwinds for the stock market. As in 2018, this is the second chapter of the Trump Tariff play-book, arguing that tax cuts are funded by tariff revenues.

Whilst staying invested is key to capturing returns, adapting portfolios to navigate short- and medium-term risks can help mitigate their impact. At time of elevated market volatility it remains even more important to be well diversified within and across asset classes.

What does this mean for portfolios?

While portfolios should have clear long-run strategic allocation to match a given risk profile, adapting portfolios to align to changing market and economic conditions can help mitigate near- to medium-term risks and help navigate the markets.

Getting in touch

If you would like to find out more or discuss any of the above, please contact your financial adviser.

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